



ABSTRACT

Rural Development and Panchayat Raj Department – Rationalization of Panchayat Accounts - Creation and Operation of State Nodal Account for State Finance Commission Grant / Schemes in place of maintaining Bank accounts at the Village Panchayats – Permission – Accorded.

Rural Development and Panchayat Raj (PR-I(2)) Department

G.O. (Ms) No.117

Dated: 28.10.2022

சுபகிருது, ஜப்பசி 11.

திருவள்ளூர் ஆண்டு 2053

Read:

From the Commissioner of Rural Development and Panchayat Raj
Letter Roc. No.39473/2022/PRI 2-2, dated 31.07.2022.

ORDER:

In the letter read above the Commissioner of Rural Development and Panchayat Raj has stated as follows:-

- The Government have devolved financial autonomy to the Village Panchayats by authorizing them to undertake financial transaction through elected representatives. In G.O. (Ms) No.92, Rural Development Department, dated 26.3.1997, the new system of Accounts was introduced along with Forms and Registers to be maintained at the Village Panchayat Office. Subsequently, the number of bank accounts maintained by the Village Panchayat was increased due to new schemes from time to time.
- This system of accounts maintenance is in operation for more than 23 years. Now most of the schemes which were implemented by both Central and State Governments during that time are redundant now and, in some instances, new schemes came into force. At present, 11 Bank Accounts and 31 Registers and Forms are maintained by the Village Panchayats. In this situation, it is necessary to revisit the applicability and relevance of present registers and accounts. Apart from this, many systemic changes have been evolved in the financial administration of Three Tier Rural Local Bodies. Particularly in the advent of information technology into the panchayat administration which resulted in huge reduction of paper work. In these circumstances, so many representations have been made by the panchayat functionaries to rationalize the system of Accounts and Registers maintenance at the panchayat level.
- There are 36 District Panchayats, 388 Block Panchayats and 12,525 Village Panchayats comes under the purview of Rural Development and Panchayat Raj Department in the State. At present, 1.40 Lakh accounts

are being maintained by Village Panchayats. These bank accounts are maintained in 38 different banks.

- The transactions in these banks are held on a day-to-day basis and the details of transactions are not available at the district and state level and there is no dashboard to view the receipt and expenditure details of the three tier Rural Local Bodies. In order to bring transparency in financial transactions in local body accounts, an online accounting system is being planned by the Department.

The Village Panchayats are maintaining the following 11 Accounts as detailed below:-

Account No.	Name of the Account	Receipts	Mode of operation
Account No. 1	Village Panchayat General Fund Account	Population Grant of SFC and Own Sources of Revenue	PFMS
Account No. 2	Village Panchayat Payment to TANGEDCO / TWAD / District Collector	Minimum Grant of SFC	Cheque
Account No. 3	Village Panchayat Schemes Account	Scheme fund from Government of India and Government of Tamil Nadu, Mines and Minerals fund etc	PFMS
Account No. 4	Village Panchayat MGNREGS Account	MGNREGS	Non Active
Account No. 5	Village Panchayat State Schemes Account	State Scheme fund	Non Active
Account No. 6	Village Panchayat Green House Scheme Account	State Scheme fund	Non Active
Account No. 7	Village Panchayat Staff Salary Account	Population Grant of SFC	PFMS
Account No.8	Solid Waste Management Account- Thooimaikavalar	Population Grant of SFC	PFMS
Account No.9	Central Finance Commission Grant	Central Finance Commission Grant	PFMS
Account No.10	Jal Jeevan Mission –Public Contribution Account	From Public	Cheque
Account No.11	Utility Payment Account- IT, GST, Telephone bill etc.,	From other 10 Accounts.	Cheque

In addition, Block and District Panchayats are maintaining their respective State Finance Commission Bank accounts.

- At present the above-mentioned accounts are operated either through the Public Finance Management System as per the Government order or through conventional cheque method. The expenditure is being made by the Rural Local Bodies in the state. The expenditure and receipt details are entered in the tnrd website after the completion of the work. But, it is considered as the postmortem exercise and missing entries in the online mechanism leads to distorted figures. Though, the present Public Finance Management System captures the expenditure details in real time, the reporting format is not available as per our requirement. This has ultimately resulted in non-availability of Management Information System (MIS) to analyze the financial data.
- There are 1.40 Lakh accounts-maintained pertaining to various Grants / Schemes at the Village Panchayats. It is to state that the amount which has been allocated for the particular scheme may be kept idle due to various factors and the reconciliation is not done for many years. Hence, this amount has to be utilized for the intended purpose or otherwise it has to be remitted back to the Government.
- The present system has inherent disadvantages like keeping huge money idle in few Panchayats and in some panchayats it is scarce. While following the recommendations and the consequent Government orders, it is noted that the grant transferred to Multiple accounts in Village Panchayats leads to inter account disparity which leads to problems in timely execution of works. Since, there is no real time data availability in terms of financial transaction, decision making at the state level is also hampered. This weakness of the present system may be overcome by the new method of State Nodal Account. The State Nodal Account has many advantages over the present system.

1. State Nodal Account:

Single State Nodal account is a special bank account to be opened by the department at the state level which holds money on behalf of three tier Rural Local Bodies and it can be operated by the concerned Rural Local Bodies.

2. Advantages of Single Nodal Account:

- i) Complete tracking of funds from the treasury to the end user.
- ii) Real Time transactions and Management Information System (MIS) availability is easy.
- iii) No money can be kept idle and the same will be used judiciously.
- iv) Annual reconciliation of accounts is easy.
- v) 100% digital transaction will be ensured.
- vi) Due to effective vendor registration through National Panchayat Corporation of India (NPCI) and Public Finance Management System (PFMS) ghost beneficiaries will be eliminated.
- vii) Decision making will be easy based on the expenditure pattern analysis.

- viii) No post dated entry is captured and accounted for in real time.
- ix) Interest calculation and savings and other utility payments will be done easily.
- x) The software will be available in Bilingual i.e. Tamil and English Language.
- xi) Biometric and Aadhaar based One Time Password based financial transactions will be ensured.

3. Components of SNA:

The State Nodal Account has defined components and features like User management, Account validation, Vendor management, Component wise mapping, Limit fixation for each institution as per Budget Estimates, End to end solutions and MIS reporting etc.,

a. User Management:

- Users at the level of Village Panchayats, Block Panchayats and Districts Panchayats will be enabled in the State Nodal Account login.
- The Commissioner, Rural Development and Panchayat Raj will be the State Scheme Manager (SSM). The User Management for Monitoring Officers at the State, District and Block level will also be allocated.
- In respect of Block Panchayats, the Accounts are being maintained in the treasury through IFHRMS platform. Though IFHRMS is operating through digital platforms, it doesn't cater to the needs of the department's requirements like financing limits for each component of the grant, Vendor payment and reflection of Account Status in real time.
- Further, with in the State Nodal Account (SNA) the Village Panchayat users like Village Panchayat Presidents and Vice Presidents will be able to transact with their Digital Signature Certificates (DSC) and the necessary allocation for each Village / Block / District Panchayat will be done in the SNA.
- The Static Internet Protocol option will ensure better utilization of assigned Desktop computers for financial transactions which will eliminate wrong doings, approaching computer centers for official financial transactions and unnecessary exposure of vital financial data to the third parties.
- The same system mentioned in the Government order, regarding maker and checker mechanism have also been adopted in the Single Nodal Account mechanism.

b. Limit Fixation: -

- At present each Panchayat has been allocated with Grants / Schemes based on formula accepted by the Government based on the recommendations of State Finance Commissions. For illustration, during 2017-2018 to 2021-2022 panchayats are

allocated with a definite amount as prescribed by 5th State Finance Commission formula. (i.e.,)

Population	: 60%
Area	: 15%
SC/ST Population	: 15%
Per capita Expenditure Distance	: 10%

and the grant was drawn and disbursed to the Panchayats on a monthly basis. But with this SNA method, the allocation has been fixed as a limit in SNA. The Panchayats may be authorized to transact within the limit fixed in the SNA. The limit fixation will be done periodically with orders of the Government based on the recommendations of the State Finance Commissions.

c. Component wise mapping: -

- The component wise mapping within the Panchayats can be done. Which will ensure the Expenditure towards necessary and mandatory at first instance.
- The regular and timely payment of utility bills. Establishment expenditure like salary, honorarium, sitting charges etc., can be undertaken by this mechanism.
- The capital and maintenance works taken up under the grant / scheme will be well accounted for by this mechanism.

d. Vendor Management: -

- The vendor management in SNA is similar to that of the PFMS System. The same system will be followed in this SNA method.
- The Vendor Management should include the registration of employees, staff, elected representatives, contractors and vendors etc.,
- This system will be ensured with the account validation of PFMS through SNA.

e. MIS Reporting :-

- The Financial transactions held in Panchayats are reported in real time basis to the SNA Monitoring system.
- The Management Information System in the SNA will be utilized for future policy making and interim adhoc management.

4. Infrastructure to be provided: -

The Government has already issued an order to provide infrastructure facilities like Desktop, Computers, Printers, Internet connectivity and uninterrupted Power Supply System to all the Village Panchayats. Further the Block Panchayats and District Panchayats have already provided necessary IT infrastructure and manpower.

Since this Single Nodal Account concept is new to the department there may be initial hiccups to adopt the system. Further there may be many grievances likely to arise due to introduction of Single Nodal Account. To ensure smooth functioning of the SNA system, sustainably, a redressal grievance cell may be established at the State level which may be called as 'help desk' at the Directorate level, District and Block level.

The helpdesk should consist of necessary infrastructure, and manpower. The helpdesk should have the following:-

- Helpdesk should be provided with room space within a Directorate. Helpdesks should be provided with necessary infrastructure like Computers, Printers, TV. Telephone with Toll free number etc.,
- The necessary manpower should be outsourced in consultation with TNeGA or through appropriate methodology.
- The State Nodal banker should also provide few professionals to ensure quick and speedy disposal of grievances.
- The cost towards the establishment of helpdesk may be utilized from interest accrued in Capital Grant Fund.

5. Rationalization of Accounts:

At present, Village Panchayats are maintaining around 11 bank accounts. These accounts may be rationalized as detailed below:-

- a. **Panchayat General Fund account** –SNA maintained at Headquarters.
- b. **Central Finance Commission Grant-** maintained at Village Panchayat concerned.
- c. **Miscellaneous Account-** Nomenclature of the present JJM public contribution Account to be changed as Miscellaneous Account.

a. Panchayat General Fund Account:

- The Panchayat General Fund account is a State Single Nodal Account through which all the Village Panchayats can undertake financial transactions. The receipts of this account are detailed below:-
 1. State Finance Commission Grant
 2. Assigned Revenues.
 3. Own sources of Revenues like House tax / Property tax/ Water Charges / Professional tax and other tax and nontax revenues etc.,
- The expenditure out of the account has to be made as per the existing procedure. It is to state that the earlier accounting procedure of allocating minimum grant as a separate account is no more relevant and the amount fixed as minimum grant may be fixed within the SNA as a component.
- Further, if any modification in the operation of account recommended by the Sixth State Finance Commission or subsequent SFCs should also be duly incorporated within the State Nodal Account.

- Based on the recommendation of Fifth State Finance Commission, the Government has allocated an amount of Rs.7 lakh per Village Panchayat as minimum grant to settle current consumption charges and water charges to TWAD Board. This minimum grant is more than enough for few Village Panchayats and few Village Panchayats are still facing a deficit to settle the above utility payments.
- In this regard, this allocation of minimum grant in Village Panchayats will be fixed as definite component and if no utility payment like current consumption charges, to TANGEDCO and water charges to TWAD Board are pending (the same has to be certified by the District Collectors with the proof of online receipt may be sent to Commissioner) to appropriate the unspent allocation under minimum grant in SNA to utilize for other purpose like payment of salary to Panchayat functionaries and to undertake capital and maintenance works in the Village Panchayats as per the Established Procedures.
- Further the Own sources of revenue collected in the State Nodal Account/ Assigned revenues will be apportioned to this State Nodal Account as per the procedure.

b. Central Finance Commission Grant Account:

The Government of India has instructed to open the Central Finance Commission Grant account in the respective Local Bodies. Accordingly, the Accounts are being maintained in the respective Village Panchayats, Block Panchayats and District Panchayats. These accounts are mapped with Public Finance Management System and the transactions are being carried put through e-Gram Swaraj Portal of Government of India. Since, the Government of India has stressed that the expenditure out of the 15th Central Finance Commission Grant has to be made only through the Village Panchayat level bank accounts linked through e-Gram swaraj portal, the existing system of financial transaction through e-Gram swaraj portal may be continued.

c. Miscellaneous Account:-

This miscellaneous Account is being created to utilize it for any of the purpose which cannot be redressed by the present accounting system. Nomenclature of the present JJM public contribution Account to be changed as Miscellaneous Account.

The receipts of this account are detailed below:

- Public contribution in respect of Jal Jeevan Mission etc.,
- Specifically permitted receipts and expenditures by the District Collector, Directorate of Rural Development and Panchayat Raj and Government. It will be communicated specifically from time to time.
- To ensure uniformity in the account the account nomenclature should be assigned as detailed below.

Name of the Account: **Misc.Acct- ----- VP, LGD code**

6. Mobbing up of funds: -

Due to proposed rationalization of accounts, the funds available at other accounts may be transferred to the State Nodal Account and this amount may be utilized for taking up of regular capital, maintenance, establishment expenditures and other recurring expenditures of the respective Panchayats through SNA. While mobbing up the fund from Village Panchayats, Block Panchayats and District Panchayats, separate ledger has to be maintained in SNA and the same has to be reconciled by the Village Panchayat and the District administration.

7. Selection of banker: -

The State Nodal banker should be selected based on transparent manner. The Village Panchayats are maintaining accounts with many banks. The maximum number of accounts held by the bank and the technological intervention available with the banker should be assessed by giving chance to the top few banks. The selection of bank should be done by the team of officials in the Directorate lead by Commissioner, Rural Development and Panchayat Raj and the Financial Advisors and Chief Accounts Officer, Senior Technical Director, NIC and the officials from Panchayat Raj section.

The banker should provide SNA system operation in regional language, MIS required by the Government, Training to field officials, Ready reckoner to use the Portal, Helpdesk at the Directorate etc.,

2. The Commissioner of Rural Development and Panchayat Raj has therefore requested the Government to issue orders on the following:-

- a) To authorize Commissioner, Rural Development and Panchayat Raj to open State Nodal Account to ensure hassle free transactions.
- b) To release the upcoming grants to State Nodal Account and the financial transactions may be done as per the above procedures.
- c) To establish helpdesk at the Directorate to facilitate Panchayats.
- d) To mob up the unutilized/idle money etc., kept in the Village/Block/District Panchayats to State Nodal Account and to utilize it as per the established procedure.
- e) To rationalize the bank accounts in Village Panchayats as mentioned above.

Further the Accounting System, cashbook/ledger maintenance should be continued as per the existing methodology and the Panchayats should maintain manual vouchers/cashbooks for easy reconciliation periodically.

3. The Commissioner of Rural Development and Panchayat Raj has further stated that, Principal Secretary to Government, Rural Development and Panchayat Raj is empowered to modify these guidelines wherever necessary in consultation with the Commissioner of Rural Development and Panchayat Raj. Further, the Commissioner of Rural Development and Panchayat Raj is empowered to give executive instructions based on the above guidelines to Inspector of Panchayats so as to ensure the smooth functioning of State Nodal Account.

4. The Government after careful examination of the proposal of the Commissioner of Rural Development and Panchayat Raj have decided to accept the same and issue orders as follows:-

- a) The Commissioner of Rural Development and Panchayat Raj is authorized to open State Nodal Account to ensure hassle free transactions.
- b) The upcoming grants to State Nodal Account shall be released and the financial transactions should be done as per the above procedures.
- c) The helpdesk shall be established at the Directorate to facilitate Panchayats.
- d) The unutilized/idle money etc., kept in the Village/Block/District Panchayats to State Nodal Account shall be mobbed up and utilized it as per the established procedure.
- e) The bank accounts shall be rationalized in Village Panchayats as mentioned above.
- f) The Accounting System, cashbook/ ledger maintenance shall be continued as per the existing methodology.
- g) The Panchayats shall maintain manual vouchers/ cashbooks for easy reconciliation periodically.
- h) The Commissioner of Rural Development and Panchayat Raj should ensure that no single bank account of Rural Local Bodies left uncovered in bringing into State Nodal Account, that too without parking any liquid resources outside the State Nodal Account.
- i) Principal Secretary to Government, Rural Development and Panchayat Raj is empowered to modify these guidelines wherever necessary in consultation with the Commissioner of Rural Development and Panchayat Raj.
- j) The Commissioner of Rural Development and Panchayat Raj is empowered to give executive instructions based on the above guidelines to Inspector of Panchayats.

(By Order of the Governor)

P. AMUDHA,
Principal Secretary to Government.

To

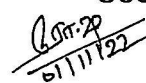
- ✓ The Commissioner of Rural Development and Panchayat Raj, Chennai – 15.
The Director of Treasuries and Accounts, Chennai-35.
The Pay and Account Officer (South), Chennai-35.

Copy to:

- The Special Personal Assistant to Minister (Rural Development), Chennai -9.
The Principal Private Secretary to the Principal Secretary to Government,
Rural Development and Panchayat Raj Department, Chennai-9.
The Finance (RD) Department, Chennai -9
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Section Officer 1.11.22


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